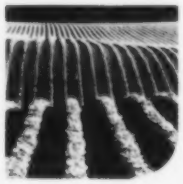
ANNUAL REPORT

2005-06

MASC

Manitoba Agricultural Services Corporation



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Board of Directors

John Plohman *Chair*
Walter Kolisnyk *Vice Chair*
Frieda Krpan *Vice Chair*
Harry Sotas
Carol Masse
Sandy Yanick
Frank Fiarchuk
Wilfred Harder
Anders Bruun

Executive Management

Neil Hamilton *President & CEO*
Charlene Kibbins *Senior Vice President Planning & Lending Programs*
Herb Sulkers *Vice President Insurance Operations*
Paul Bonnet *Vice President Research & Program Development*
Jim Lewis *Vice President Finance & Administration*
Karen McEachen *Vice President Lending Operations*
Lester Vopni *General Counsel and Manager of Legal Services*
Kim Poschenrieder *Manager Corporate Services*

This annual report can be found online at www.masc.mb.ca.
La version française de ce rapport annuel se trouve sur le site Internet www.masc.mb.ca.

Minister of Agriculture, Food and Rural Initiatives

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable John Harvard, P.C., O.M.
Lieutenant-Governor of Manitoba
235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Your Honour:

I am pleased to submit the Annual Report of the Manitoba Agricultural Services Corporation for the period of April 1, 2005 to March 31, 2006.

Yours truly,

Rosann Wowchuk

Rosann Wowchuk
Minister

MANITOBA AGRICULTURAL SERVICES CORPORATION

MASC
Manitoba Agricultural Services Corporation

The Honourable Rosann Wowchuk
Minister of Agriculture, Food and Rural Initiatives
165 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Madam:

On behalf of the Board of Directors, I am pleased to submit the Annual Report of the Manitoba Agricultural Services Corporation for the fiscal year ending March 31, 2006.

Although the Manitoba Agricultural Services Corporation was formed on September 1, 2005 through the merger of the Manitoba Crop Insurance Corporation and the Manitoba Agricultural Credit Corporation, our Annual Report displays the consolidation of financial reporting as if the two prior Corporations were one entity as of April 1, 2005.

Yours truly,

John S. Plohman

John Plohman
Chair
Board of Directors

chair's message

Agricultural producers are facing rising input costs, low commodity prices, trying weather conditions, and international trade concerns. Increasing numbers of farm families are having to rely on off-farm income. It is during these difficult economic times that MASC's comprehensive risk management programs and lending options play an especially important role.

Manitoba producers faced another challenging year in 2005. Even with the best technology, crop production is at the mercy of nature. Excess moisture conditions in the first half of the growing season resulted in an estimated 1.4 million acres (15% of land normally insured) not being seeded and another 10% where the crop was drowned out due to ongoing wet conditions. The effects of too much moisture, followed by dry weather in mid-July negatively impacted crop production. The result was the largest payout in Manitoba production insurance history at $295 million. The total payment includes $58 million for Excess Moisture Insurance. Despite back to back record indemnity payments in 2004 and 2005, the Production Insurance reserve fund remains in a healthy position, due to prudent management that maintained significant reserves prior to 2004, and to recoveries from private reinsurance.

Access to capital is crucial for industry growth. Through unique financial services, MASC is a major contributor to the development of agricultural and rural businesses in Manitoba. Demand for direct loans (including stocker loans) increased by 26% (from $44.7 to $56.2 million), while diversification and operating loan guarantees increased by 66% (from $37.5 to $62.2 million). MASC continued to assist producers in managing the effects of the Bovine Spongiform Encephalopathy (BSE) crisis through the BSE Recovery Loan Program. In 2005, MASC offered producers the option of extending repayment over a longer period, approving over 800 BSE Recovery Loan extensions. In rural non-agricultural business, the Rural Entrepreneur Assistance program's portfolio remains relatively stable, at $1.9 million in guarantees for 2005-06, but is an area that may be targeted for future growth.

MASC is constantly striving for new and innovative ways of meeting the needs of agricultural producers and rural businesses. To this end, the Board and staff continued to consult with producers and producer groups. In addition, five public meetings were held throughout the province. The public meetings were an effective venue for sharing ideas. Our clients can depend on MASC to incorporate this input as we develop new programs and administrative processes.

EXECUTIVE MANAGEMENT (L TO R)
Back Row: Paul Bonnet, Neil Hamilton, Herb Sulkers, Jim Lewis,
Front Row: Karen McEachen, Charlene Kibbins, Lester Vopni, Kim Poschenrieder

BOARD OF DIRECTORS (L TO R)
Back Row: Wilfred Harder, Frank Fiarchuk, Harry Sotas, Carol Masse, Sandy Yanick,
Front Row: Walter Kolisnyk, John Plohman, Frieda Krpan, Missing: Anders Bruun

Based on previous input, MASC introduced a number of new and enhanced Production Insurance programs in 2005. These included: a new Crop Coverage Plus option, which provides up to 90% whole farm coverage; a new spot-loss program for vegetable crops; the introduction of quality guarantees for soybeans, silage corn and greenfeed; separate organic insurance for wheat, oats and flax; expansion of pedigreed seed coverage to all wheat types; expansion of the insurable areas for silage corn; and the introduction of sorghum and sudangrass coverage under greenfeed insurance.

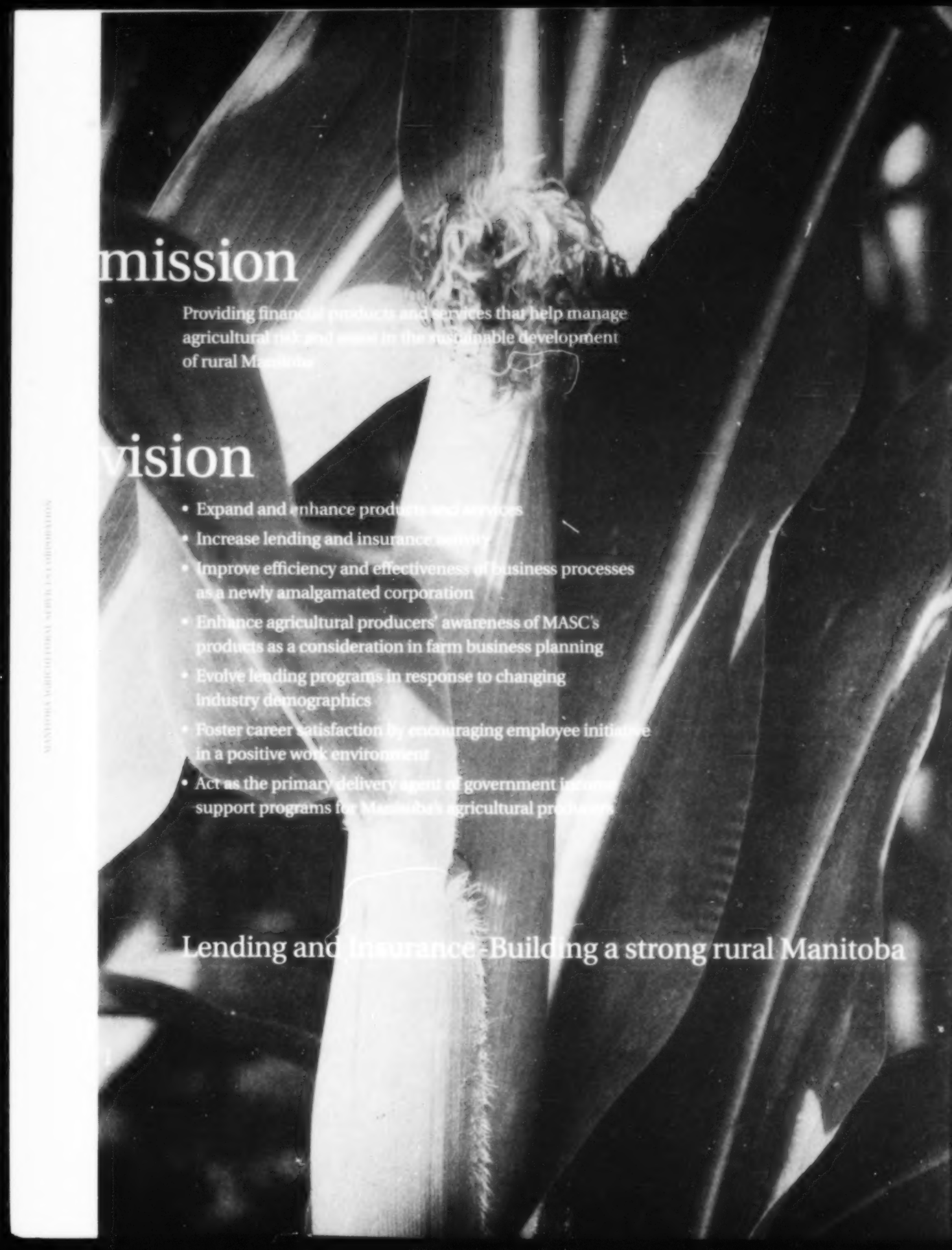
Not only do MASC's computer system applications meet our business needs, they are secure, reliable, and offer information to our clients in a timely manner. For example, clients can now apply for hail insurance and calculate the potential benefits of Crop Coverage Plus online. In addition, lending representatives now enter data directly into the computer system resulting in quicker loan and document processing.

Even with a very heavy workload in core programming, MASC was successful in administering the 2005 Farmland School Tax Rebate program on behalf of the Manitoba Government. Almost 30,000 cheques, totalling $15.9 million was paid out under this program. In 2005-06, MASC also became involved in the administration of the Ecological Goods and Services Pilot Project in the RM of Blanshard. Known to many as Alternate Land Use Services (ALUS), this initiative will test the value of providing support to producers who maintain wetlands, enhance riparian areas and provide permanent cover on fragile soils.

In seven months, MASC has made great strides towards integrating the two former Corporations, but there is still work to be done. We realize change can be difficult. MASC staff can be proud of the professional way in which they have embraced their new and expanded responsibilities. I want to personally thank the staff, management and Board for their continued hard work, dedication and support. Their commitment and expertise has made MASC well respected and trusted in the industry.

On behalf of the Board and all of the staff here at MASC, I would also like to thank the Honourable Rosann Wowchuk, our Minister, for her leadership, guidance and encouragement during these challenging times.

John Plohman
Chair



mission

Providing financial products and services that help manage agricultural risk and assist in the sustainable development of rural Manitoba

vision

- Expand and enhance products and services
- Increase lending and insurance activity
- Improve efficiency and effectiveness of business processes as a newly amalgamated corporation
- Enhance agricultural producers' awareness of MASC's products as a consideration in farm business planning
- Evolve lending programs in response to changing industry demographics
- Foster career satisfaction by encouraging employee initiative in a positive work environment
- Act as the primary delivery agent of government income support programs for Manitoba's agricultural producers

Lending and Insurance - Building a strong rural Manitoba

Tactics:

- support Green Initiatives under the Province of Manitoba's Green and Growing Framework
- develop agricultural and non-agricultural lending programs in support of Manitoba Agriculture, Food and Rural Initiative's objectives
- provide effective insurance for crops and livestock
- review if there is a need for other forms of agricultural insurance

Tactics:

- direct involvement in designing Business Risk Management Programs under the Agricultural Policy Framework
- review if CAIS or its successor should be delivered in Manitoba by MASC
- deliver government emergency and disaster income support programs for Manitoba's agricultural producers

Tactics:

- develop intermediate and long-term plans for service delivery
- increase the use of the internet for client applications and document filings
- develop software to improve the efficiency of insurance claims and loan applications
- utilize internal audit findings to further identify where processes can be improved

Tactics:

- pursue inspection services on a cost recovery basis for such things as:
  - nutrient management monitoring
  - Canadian Cattle Identification Agency (age of animals) audits
  - on-farm and post-farm food safety inspections
  - carbon credit accumulation
  - farm safety audits

Tactics:

- implement a new performance evaluation system
- develop a recruitment/retention strategy, including intermediate and long-term staffing and succession plans
- improve internal communications and staff relations
- strengthen training based on staff needs

Tactics:

- prioritize major IT initiatives, including activities such as:
  - integrating the remaining MCIC and MACC computer systems
  - evaluating internet options as a means of speeding up and reducing the cost of corporate communications
  - implementing an integrated schedule for hardware and software upgrades

Tactics:

- implement a comprehensive advertising strategy
- improve the effectiveness of MASC's and the Manitoba Management Plus Program's websites
- position MASC as a good corporate citizen through activities such as the farm safety initiative
- support good relationships with producer groups
- increase awareness of MASC's products and services

Tactics:

- strengthen Board input in the setting of Manitoba Agriculture, Food and Rural Initiatives' budget priorities
- review effectiveness of the current Board committee structure
- implement a Board evaluation process and develop training based on Board members' needs

corporate governance

Mandate of the Board

Board Committee Structure

- Board Insurance Committee makes recommendations to the Board of Directors on MASC's insurance operations. The Board Insurance Committee's main responsibilities include reviewing options for insurance policy and program development and reviewing producer concerns and contracts as required.
- Board Lending Committee makes recommendations to the Board of Directors on MASC's lending operations. The Board Lending Committee's main responsibilities include reviewing options for lending policy and program development and reviewing loans, guarantees and the payment of guarantee claims that require Board approval.
- Board Audit and Finance Committee identifies and minimizes risk to MASC's business operations by reviewing financial reporting, risk management and actuarial functions and by monitoring corporate integrity and compliance with applicable authorities.
- Board Executive Committee generally acts in place of the Board of Directors on matters that require decisions or action prior to the next meeting of the Board.

administration

MASC has a permanent staff complement of 150, supplemented as required by adjusting and part-time staff. Over 150 adjusters are employed on an as-needed basis. MASC's programs and services are delivered by 19 insurance and 16 lending offices strategically located throughout the province. Insurance and lending operations are based out of Portage la Prairie and Brandon, respectively.

An independent three-member Appeal Tribunal hears disputes between insured producers and MASC respecting MASC's assessment of loss or damage. The Appeal Tribunal's decisions are final and binding on both parties.

MASC fully supports and participates in the Manitoba Government's initiatives under *The Sustainable Development Act*. In its daily operations, MASC encourages activities that reduce, reuse, recycle and recover resources. Activities range from using recycled paper to promoting the use of teleconferencing for meetings.

Manitoba Agricultural Services Corporation

organization chart

As of March 31, 2006

current programs

Agriculture plays a major role in Manitoba's economy. Keeping it vital and healthy is a goal we are constantly working towards. Through our unique financial and risk management tools, and administrative skills, MASC actively participates in the development, growth and sustainability of rural Manitoba.

Our Production Insurance and Hail Insurance programs offer protection against crop production and quality losses due to natural perils for a wide range of cereals, oilseeds, special crops and forage. Our financial products have a broad scope, including agricultural loans and loan guarantees, and non-agricultural guarantees that assist clients in developing and expanding their businesses.

MASC also provides efficient and effective program administration, and has been involved in delivering a variety of emergency and ad hoc programming on behalf of both levels of government.

Insurance

MASC administers two major insurance programs: Production Insurance and Hail Insurance. This combination allows Manitoba producers to obtain all their crop production insurance needs from one source. Production Insurance programs are on-going, with periodic changes based on input from producers and producer groups and on priorities established by MASC's Board of Directors and the provincial and federal governments.

PRODUCTION INSURANCE

Production Insurance provides protection against crop production losses caused by natural perils, which include drought, excess moisture (rainfall or flood), frost, hail, fire, excess heat, wind, wildlife, disease and pests. Causes of loss that are within a producer's control are not covered. Insurance is provided for 54 separate crops. Coverage is also provided for forages during the establishment stage and for the inability to seed land in the spring due to wet conditions.

Producers can select coverage levels of 50%, 70% or 80%. Individual crops can be insured at different coverage levels or can be excluded from coverage completely. Coverage is based on a producer's expected (probable) yield multiplied by the selected coverage level multiplied by the number of insured acres. If harvested production (adjusted for quality loss) falls below coverage, an indemnity equal to the production shortfall multiplied by the insured dollar value is paid.

Excess Moisture Insurance (EMI) is a basic feature of Production Insurance, with all producers with an active contract automatically receiving coverage on all land intended for spring seeding. If producers are unable to seed their land by June 20 due to wet conditions, they receive compensation of $50 per eligible acre, subject to the applicable deductible. A zero deductible option is available. The Forage Restoration benefit provides similar protection for tame hay and forage seed crops that are destroyed due to excess spring moisture.

Producers have the option of insuring all eligible crops under Crop Coverage Plus (CCP). Under this approach, a loss is only payable if the combined production for all crops falls short of the whole farm guarantee. Depending on the potential offset between the crops grown on a farm, CCP provides whole farm coverage of up to 90% for the same premium cost as 80% crop specific coverage.

For insurance purposes, Manitoba is divided into 15 areas of similar crop production risk based on factors such as climate, topography and yield history. The risk areas form the geographic basis for the determination of coverage and premium rates. Depending on the crop, the probable yields that are used to determine coverage are individualized, based on either a producer's yield history relative to the area average, or solely on a producer's individual yield history.

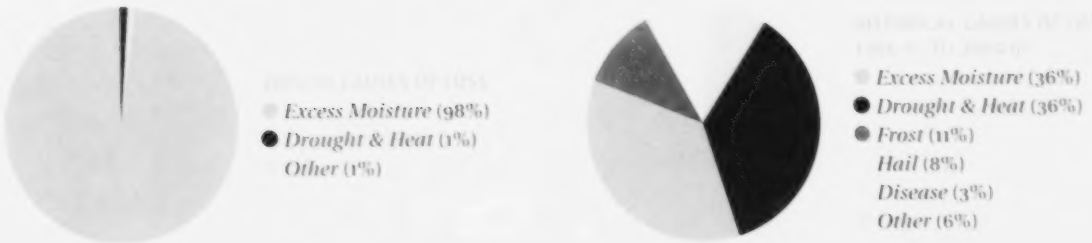
Premium costs are shared between insured producers, the Government of Canada and the Province of Manitoba. For 2005, the premium for 50% coverage was shared 30% by producers, 42% by Canada and 28% by Manitoba. For coverage above the 50% level, producers paid 45% of the premium cost, with 33% paid by Canada and 22% by

Manitoba. For basic EMI, there is no producer premium, with the cost being paid 60% by Canada and 40% by Manitoba. Administrative expenses are paid entirely by government, 60% by Canada and 40% by Manitoba.

Claims are adjusted on a crop specific basis. Insured producers receive indemnity payments based on the difference between their coverage and the total amount of harvested production. If the grade of the harvested crop falls below the quality guarantee, harvested production is reduced by the market value of the crop relative to the price of the guaranteed grade of that crop.

The Production Insurance loss ratio (loss as a percentage of total premium) for the 2005-06 crop year was 364%. Loss ratios by crop are listed in Table 1 (page 12). Overall, excess moisture accounted for 98% of losses. Although excess moisture was the major cause of loss, the problem was not the total amount of rainfall over the growing season (averaging 150% of normal), but rather the excess rainfall events that occurred in June and July with locations recording 300% of normal. Figure 1 compares the major causes of loss in 2005-06 with the historical average.

FIGURE 1 CAUSES OF LOSS



An estimated 1.4 million acres, or 15% of insured land, was not seeded in 2005. After accounting for deductibles, Excess Moisture Insurance (EMI) paid out $58.3 million (14% of total EMI liability). Of the land that was seeded, it is estimated that roughly 900,000 acres were drowned out due to on-going wet conditions. Many of the crops that survived the wet conditions were stunted with underdeveloped root systems, which in turn increased their sensitivity to drought when the weather turned dry in mid-July. This combination of events resulted in record Production Insurance indemnities.

In summary, a total of 7.9 million seeded acres were insured under Production Insurance for 2005-06. This is down 9% from 2004, due to the high number of unseeded acres.

Total premium for 2005-06 was $81.1 million on $970 million of coverage (liability). Indemnity payments for the year totalled $295.2 million, the largest amount in Manitoba's history. A summary of premiums and indemnities for the most recent five years is illustrated in Figure 2.

It is noted that $2.2 million of indemnities for prior years were paid in 2005-06. This brought the total paid indemnities in the year to $297.4 million. After accounting for interest revenue ($5.4 million) and reinsurance recoveries ($87.3 million for 2005-06 and $2.2 million for 2004-05), Production Insurance recorded a $134.1 million loss for 2005-06. This resulted in retained earnings decreasing from $232.9 million to $98.8 million.

FIGURE 2
TOTAL PRODUCTION INSURANCE PREMIUMS AND INDEMNITIES

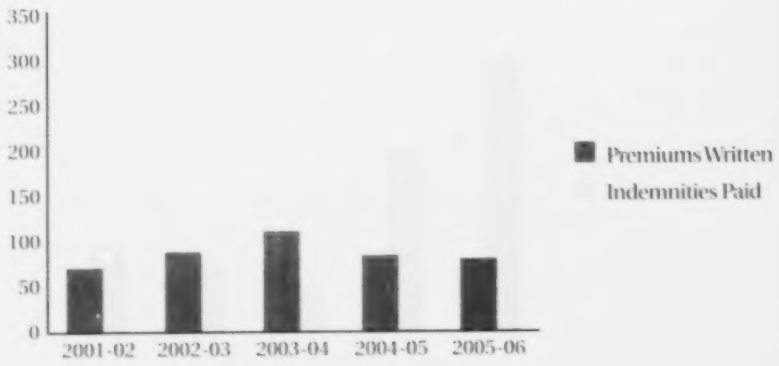


TABLE 1 SUMMARY OF PRODUCTION INSURANCE WRITTEN

FOR THE YEAR ENDED MARCH 31, 2006

CROP	ACRES INSURED	COVERAGE ($000)	TOTAL PREMIUM ($000)	INDEMNITIES ($000)	LOSS RATIO (%)
Red Spring Wheat	2,015,847	$188,885.6	$12,376.0	$25,449.0	206
Durum Wheat	7,953	746.5	67.6	33.4	49
Extra Strong Wheat	4,962	442.3	31.1	207.5	667
Prairie Spring Wheat	15,823	1,287.8	116.3	42.9	37
Hard White Wheat	336,666	32,953.1	2,374.7	8,314.0	350
Feed Wheat	30,594	2,240.3	212.2	580.4	274
Winter Wheat	80,274	6,293.1	566.1	1,331.1	235
Barley	611,018	45,000.6	2,892.1	13,183.4	456
Oats	510,503	48,275.8	3,646.2	22,614.2	620
Mixed Grain	1,844	102.0	10.7	25.1	235
Fall Rye	39,324	2,273.4	240.6	353.1	147
Triticale	4,250	216.4	16.4	21.2	129
Canola	2,242,516	294,108.7	22,431.8	70,794.4	316
Flax	336,792	40,437.8	3,292.2	10,562.0	321
Mustard	3,040	302.4	46.2	150.5	326
Oil Sunflowers	31,013	5,441.8	473.0	1,175.6	249
Non Oil Sunflowers	147,576	37,502.2	3,837.2	18,642.9	486
Buckwheat	5,935	464.0	97.7	104.4	107
Grain Corn	97,759	20,279.6	2,624.6	4,456.5	170
Silage Corn	36,464	9,262.9	464.0	1,607.8	347
Potatoes	70,823	96,173.7	5,676.1	13,274.7	234
Vegetables*	1,230	3,318.6	111.9	505.2	452
Field Peas	114,238	9,844.4	773.6	3,175.5	411
Lentils	2,228	264.5	38.0	132.7	349
Fababeans	9,555	1,298.8	188.3	334.7	178
Dry Edible Beans*	188,068	46,805.3	5,348.2	23,469.6	439
Soybeans	95,120	11,418.6	1,551.8	2,851.3	184
Tame Hay*	555,272	37,296.3	3,525.2	2,259.8	64
Pasture		4,848.9	506.6	134.8	27
Native Hay	36,296	860.3	145.3	317.7	219
Forage Establishment	98,123	3,420.6	531.4	225.9	43
Pedigreed Timothy Seed	17,457	1,454.2	216.6	180.0	83
Alfalfa Seed	25,380	3,265.9	520.3	910.7	175
Canaryseed	12,235	1,026.5	112.8	357.0	317
Annual Ryegrass Seed	5,472	581.1	82.0	9.7	12
Perennial Ryegrass Seed	29,448	4,514.0	765.0	571.3	75
Hemp Grain	9,743	1,842.3	229.0	615.2	269
Greenfeed	81,228	4,899.6	620.1	1,742.7	281
Open Pollinated Corn	276	31.7	4.9	0.0	0
Unallocated Adjustments**				6,138.1	
Subtotal	7,912,345	$969,681.6	$76,763.8	$236,856.0	309
Excess Moisture Insurance	8,526,213	$404,411.0	4,336.9	58,345.5	1,345
Total			$81,100.7	$295,201.5	364

* Dry Edible Beans include White Pea, Pinto, Black, Kidney, Cranberry, Red Mexican and Other Dry Edible Beans.
Tame Hay includes Alfalfa, Alfalfa/Grass Mixtures, Grasses and Sweet Clover.
Vegetables include Carrots, Cooking Onions, Rutabagas and Parsnips and the Vegetable Acreage Loss Program.

** Includes accruals for incomplete claims at year end.

HAIL INSURANCE

A separate policy covering spot loss hail damage is available to producers enrolled in Production Insurance. Producer premiums fund all of the costs of Hail Insurance, including administrative expenses. Hail premium rates are calculated based on Production Insurance risk areas, rather than by township as is the case for private insurance. Coverage can be selected at any time during the growing season and is available in various dollar amounts depending on the crop. Hail Insurance also provides coverage for losses due to accidental fires.

In 2005-06, MASC insured 2.6 million acres, with total coverage of $285 million. Premiums prior to discounts were $10.4 million, with indemnities of $5.2 million. The resulting loss ratio (loss as a percentage of premium) was 50%. Figure 3 provides a summary of Hail Insurance premiums and indemnities over the last five years.

After adjusting for interest revenues of $0.9 million, reinsurance premium of $0.9 million and administrative expenses of $1.6 million, Hail Insurance had an operating income for the year of $3.4 million. As a result, retained earnings increased from $24.2 million to $27.6 million.

FIGURE 3 HAIL INSURANCE PREMIUMS AND INDEMNITIES

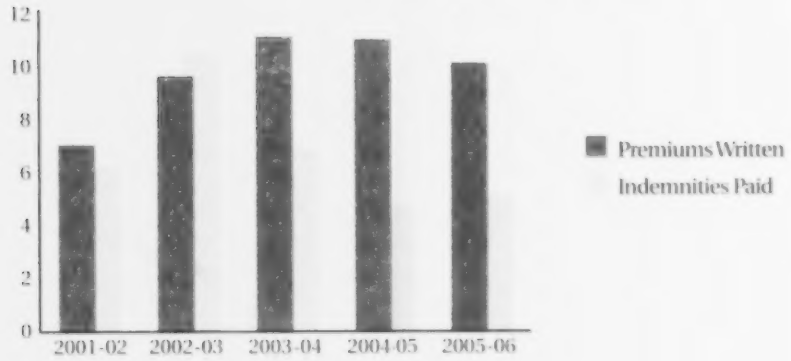


TABLE 2 FIVE YEAR STATISTICS

	2005-06	2004-05	2003-04	2002-03	2001-02
Production Insurance Program					
Number of producer contracts	10,395	10,654	10,813	10,928	11,054
Insured acres (000)	7,912	8,702	9,241	9,133	8,539
Total coverage ($ millions)	970	1,111	1,349	1,201	967
Premiums - producers ($000)	31,354	30,918	33,158	26,032	19,940
Premiums - total ($000)	81,101	85,092	112,333	89,626	72,176
Average coverage level selected (%)	74.7	73.9	73.6	73.4	71.2
Number of claims paid	19,156	13,709	8,325	10,266	10,656
Indemnities paid ($000)	295,202	200,295	55,849	77,268	96,255
Loss to premium ratio (%)	364	235	50	86	133
Loss to coverage ratio (%)	30	18	4	6	10
Hail Insurance Program					
Number of producer contracts	3,425	3,753	3,947	3,734	3,238
Insured acres (000)	2,584	2,803	2,901	2,674	2,105
Total coverage ($ millions)	285.1	309.9	317.6	289.9	223.8
Premiums, prior to discounts ($000)	10,425	11,370	11,514	9,930	7,306
Number of claims paid	1,247	1,098	1,535	2,157	1,509
Indemnities paid ($000)	5,166	4,799	6,894	10,568	6,325
Loss to premium ratio (%)	50	42	60	106	87

Note: The above statistics are based on the insurance program year and may not correspond exactly to the 2005-06 financial statements.

AGRICULTURAL LENDING

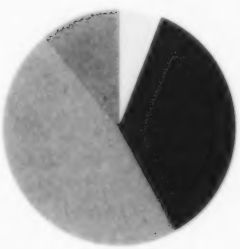
DIRECT LOANS

MASC's Direct Loans provide eligible Manitoba producers with short, intermediate and long-term financing at competitive interest rates with no prepayment penalties. Clients have the flexibility of locking in an interest rate for the full amortization period, or selecting five-year renewable interest rates.

Direct loans are available for a variety of purposes such as: the purchase of land/buildings, permanent improvements to land/buildings, the purchase of breeding stock, the construction or renovation of production buildings, the purchase of quota, and debt consolidation.

During 2005-06, 283 direct loans were approved, totalling $20.8 million. This compares to 241 loans for $14.6 million in 2004-05. For 2005-06, the predominant uses for direct loans were debt consolidation (47%) and land purchases (36%).

FIGURE 4: PURPOSE OF DIRECT LOANS



MASC acquires title to property as a result of debt settlement negotiations and foreclosure proceedings. MASC's policy is to return the property to the producer, wherever possible, by either selling or leasing.

During 2005-06, MASC sold 1,532 acres and acquired 297 acres, with an inventory of 7,245 acres as of March 31, 2006. This is down 15% from 8,480 acres held in inventory at the end of 2004-05.

STOCKER LOANS

Stocker Loans provide financing for the purchase of feeder animals, including the producer's own feeder cattle.

During 2005-06, MASC Stocker Loan activity was relatively stable with 324 stocker loans for $21.9 million covering 39,442 head. This compares to 313 loans for $18.2 million covering 41,157 head in 2004-05.

BRIDGING GENERATIONS INITIATIVE

In 2002-03, the Bridging Generations Initiative was introduced as a five-year pilot project with the goal of assisting in the transfer of farm assets between retiring and next generation producers. The initiative is comprised of the following components:

- Bridging Generations Loans (with associated Management Training Credits)
- Bridging Generations Mortgage Guarantees
- Livestock Herd Establishment Loans
- Land Lease Guarantees
- Lifestyle Transition Loans

During 2005-06, Bridging Generations Loan activity was up substantially, with MASC approving 104 loans totalling $13.5 million. This compares to 84 Bridging Generations Loans totalling $11.9 million in 2004-05. The associated Management Training Credits were up as well, with $88,100 of such credits being applied to loans in 2005-06, compared to $41,000 a year earlier.

AGRICULTURAL LOANS WITH MASC GUARANTEES

MASC is committed to meeting the financing requirements of Manitoba's agricultural producers by working in partnership with chartered banks, credit unions and caisse populaires. These partnerships provide agricultural producers with access to credit where it would not otherwise exist, due to factors such as insufficient equity or security, or an unproven project. MASC's guarantees encourage private lenders to participate in areas that they otherwise consider to be higher risk.

YOUNG FARMER REBATE

Direct Loans and Bridging Generations Loans can include a Young Farmer Rebate for qualifying clients. The Young Farmer Rebate is aimed at reducing the cost of borrowing during the critical start-up stage of an operation. Eligible producers, under the age of 40, receive a rebate of 2% on the first $100,000 of principal. The maximum lifetime rebate is $10,000.

In 2005-06, MASC distributed Young Farmer Rebates totalling $1.3 million. This is a drop of 13% from the $1.5 million of Young Farmer Rebate distributed in 2004-05. In terms of approvals, 80% of MASC's Direct Loans and Bridging Generations Loans qualified for the Young Farmer Rebate in 2005-06, compared to 78% for 2004-05.

BSE RECOVERY LOANS

BSE Recovery Loans were introduced in August 2003 to provide financial assistance to Manitoba ruminant producers who were suffering from the economic impact of the U.S. border closure due to a case of BSE.

Part 1 of the program offered two-year loans of up to $50,000 at a reduced interest rate. Part 1 loans are being rolled into Part 2 loans with either a five or ten-year term. An additional $25,000 is available under Part 2, bringing the total to $75,000.

As of March 31, 2006, there were 1,810 producers with BSE Recovery Loans totalling $70.0 million. In 2005-06, MASC approved 805 Part 2 rollover loans for $32.9 million.

COMPREHENSIVE REFINANCING LOANS

MASC's Comprehensive Refinancing Loans provide assistance to existing clients who are in financial difficulty. The interest rate for the first five years of the loan is set at one half of one percentage point below MASC's prevailing five-year rate.

In 2005-06, MASC approved 29 Comprehensive Refinancing Loans totalling $4.5 million. This compares to 12 such loans in 2004-05 for a total of $1.4 million.

ENHANCED DIVERSIFICATION LOAN GUARANTEES

The Enhanced Diversification Loan Guarantee Program (DLG+) assists Manitoba producers in diversifying their current operation and/or adding value to commodities produced on their farm. Guarantees are based on 25% of the principal amount of a loan provided by a participating lender. There is no maximum guarantee cap.

During 2005-06, MASC approved 34 applications for loans of $33.0 million. This compares to 19 approvals for loans of $14.6 million in 2004-05. At the end of 2005-06, MASC had 206 active guarantees with loans of $235.8 million, which is up slightly from the 201 active guarantees for loans of $226.9 million as of the end of 2004-05.

OPERATING CREDIT GUARANTEES

In order to assist producers in obtaining operating lines of credit, MASC provides a 25% guarantee on operating lines that otherwise would not be approved by private sector lenders. The interest rate on the guaranteed lines of credit cannot exceed the lender's prime rate plus 1.5%.

During 2005-06, MASC provided 179 Operating Credit Guarantees on lines of credit totalling $29.2 million. This compares to 149 guarantees on lines of credit totalling $22.9 million in 2004-05.

MANITOBA LIVESTOCK ASSOCIATIONS LOAN GUARANTEES

Manitoba Livestock Associations Loan Guarantees provide member producers with the benefit of volume purchasing in terms of feeder cattle and financing costs. MASC guarantees 25% of the loan from a financial institution to a livestock association. The maximum guarantee is $1.25 million per livestock association, facilitating a maximum loan of $5 million.

As of the end of 2005-06, activity remained steady with 10 associations (with a total of 118 active members) having guarantees on loans totalling $17.5 million. This compares to 10 associations having guarantees on loans totalling $19.2 million in 2004-05.

NON-AGRICULTURAL LOANS WITH MASC GUARANTEES

RURAL ENTREPRENEUR ASSISTANCE GUARANTEES

In 2005-06, MASC assumed responsibility for the administration of the Rural Entrepreneur Assistance Program (REA). As part of the Manitoba Government's Rural Economic Development Initiative, REA guarantees 80% of a loan made by a participating lender to an eligible small business in rural Manitoba. The maximum loan amount is $100,000, at an interest rate that cannot exceed the lender's prime rate plus one percentage point.

During 2005-06, MASC approved 39 REA guarantees on loans totalling of $1.9 million. This compares to 38 guarantee approvals on loans totalling $2.0 million in 2004-05.

It is noted that the contingent liability for REA guarantees was retained by the Province of Manitoba.

TABLE 1 SUMMARY OF LOAN ACTIVITY

	APPROVALS 2005-06		APPROVALS 2004-05		OUTSTANDING AS OF MARCH 31, 2006	
	NO.	$M	NO.	$M	NO.	$M
Agricultural Loans						
Direct Loans	283	$20.8	241	$14.6	4,092	$200.2
Stocker Loans	324	21.9	313	18.2	327	16.2
Bridging Generations Loans	104	13.5	84	11.9	384	43.6
BSE Recovery Loans	68	2.7	284	10.4	1,701	68.0
Comprehensive Refinancing Loans	29	4.5	12	1.4	117	8.0
Enhanced Flood Proofing Assistance Loans[1]	–	–	–	–	301	1.1
Producer Recovery Loans[1]	–	–	–	–	297	7.8
Subtotal	**808**	**$63.4**	**934**	**$56.5**	**7,219**	**$344.9**
Agricultural Loans with MASC Guarantees						
Enhanced Diversification Loan Guarantees[2]	34	$33.0	19	$14.6	206	$235.8[3]
Operating Credit Guarantees	179	29.2	149	22.9	178	28.8[3]
MB Livestock Associations Loan Guarantees	10	17.5	10	19.2	10	17.5[3]
Subtotal	**223**	**$79.7**	**178**	**$56.7**	**394**	**$282.1**[3]
Total Agricultural	**1,031**	**$143.1**	**1,112**	**$113.2**	**7,613**	**$627.0**
Non-Agricultural Loans with MASC Guarantees						
Rural Entrepreneur Assistance Guarantees	39	$1.9	38	$2.0	118	$3.8[4]
Total Non-Agricultural	**39**	**$1.9**	**38**	**$2.0**	**118**	**$3.8**[4]
Corporate Total	**1,070**	**$145.0**	**1,150**	**$115.2**	**7,731**	**$630.8**

1. Prior programming for which outstanding loans are still being administered by MASC.
2. Outstanding loans from the original Diversification Loan Guarantee program are included.
3. The outstanding amounts for loans issued by participating financial institutions resulting from MASC guarantees are shown above. MASC's contingent liability is 25% of the indicated amounts.
4. The outstanding amounts for loans issued by participating financial institutions resulting from guarantees administered by MASC are shown above. The Province of Manitoba's contingent liability is 80% of the indicated amount.

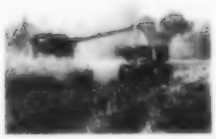


TABLE 4 MASC AGRICULTURAL LENDING ACTIVITY BY SECTOR

PRIMARY ENTERPRISE	DIRECT LENDING	DIVISION ASSOCIATION GUARANTEES	OPERATING LINE GUARANTEES	DIVERSIFICATION LOAN GUARANTEES*	TOTAL PORTFOLIO AS OF MARCH 31, 2006
Grains/Oilseeds	38.8	–	57.8	0.0	33.2
Potatoes	.3	–	7.3	5.9	1.2
Other Crops	3.6	–	6.7	.5	3.2
Cattle	49.8	100	18.7	.1	42.7
Hogs	3.6	–	6.5	59.3	11.5
Poultry	.3	–	2.0	8.0	1.4
Dairy	1.4	–	.2	10.0	2.6
Other	2.2	–	.8	16.2	4.2
Total Share	83.0%	1.1%	1.7%	14.2%	100.0%
Total Portfolio (millions)	$343.8	$17.5	$28.8	$235.8	$625.9

* Previous Diversification Loan Guarantees are included.

Notes:

1. The table does not include Enhanced Flood Proofing Assistance Loans ($1.1 million) and Rural Entrepreneur Assistance Guarantees ($3.8 million).
2. In the case of guarantee programs, the amounts shown above are the loan activity generated by the guarantees, rather than the related contingent liabilities.

performance indicators

PRODUCTION INSURANCE

The insured area of annual crops and forages decreased to about 7.9 million acres in 2005 (from 8.7 million in 2004). However, when the 1.4 million acres that could not be seeded due to excess moisture are added in, the total number of insured acres increases slightly to 9.3 million acres, meeting the budgeted amount. The target for the average coverage level selected by insured producers was set at the 2004 actual coverage level of 73.9%, however, with a larger percentage of insured producers selecting 80% coverage, the average increased to 74.7%.

Total liability for 2005 was $970 million, down 13% from $1.11 billion a year earlier and significantly less than the budget of $1.1 billion. The reduction in liability was mainly due to the 1.4 million acres being too wet to seed. Indemnities for the year totalled over $295 million with over 19,000 claims being processed. This is the largest amount ever paid out in the history of Manitoba's program.

HAIL INSURANCE

Total liability remained relatively stable from the previous year at $285 million, exceeding the budgeted amount by $25 million. Low hail losses in 2005 resulted in a profit of $3.4 million.

AGRICULTURAL LENDING

During 2005-06, 740 loans totalling $60.7 million were approved (excluding BSE Recovery Loans). This amounts to an increase of 14% in the number of loans and 32% in the total value of loans relative to the previous year. The target for loan approvals was 735 for $52.1 million. The number of loans approved was 1% over the target, with the value of loans being 17% over target. The increase in the value of the loans is the result of increased debt consolidation activity. On average, debt consolidations are larger than average direct loans for other purposes.

AGRICULTURAL GUARANTEES

A total of 213 guarantees on $62.2 million of loans ($15.6 million of contingent liability) were approved through the Enhanced Diversification Loan Guarantee Program (DLG+) and the Operating Credit Loan Guarantee Program (OCG) in 2005-06. This is an increase from 168 guarantees for $37.5 million in loans ($9.38 million of contingent liability) in 2004-05. The target for the two guarantee programs was 185 guarantees for $65.0 million in loans ($16.25 million contingent liability). The result was 15% above target in the number of approvals and 4% below target in terms of the total amount of loans. The 15% increase in the number of approvals over target is primarily due to increased activity in the OCG. Lenders are participating in the program at levels greater than anticipated due to the difficult economic times facing agricultural producers.

The objective of maintaining the number of associations participating in the Manitoba Livestock Associations Loan Guarantee Program was achieved. The amount of such loans outstanding as of March 31, 2006 ($17.5 million) was slightly below target ($20.0 million).

RURAL ENTREPRENEUR GUARANTEES

Activity for the Rural Entrepreneur Assistance Program (REA), in terms of the number of approvals and the value of loans approved, has been relatively stable year over year. MASC became responsible for administering REA on April 1, 2005.

ADMINISTRATION

MASC's overall administrative expenses were close to the budgeted amount in 2005-06. Production Insurance administration expenses were roughly $1.0 million over budget due to the exceptionally high claim year. Lending programs and the Hail Insurance Program were under budget by $0.9 million and $0.1 million, respectively.

MASC
Manitoba Agricultural Services Corporation

financial statements

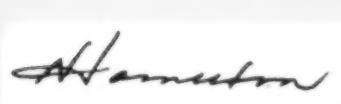
MASC
Manitoba Agricultural Services Corporation

responsibility for financial statements

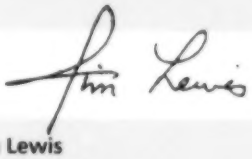
The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Directors, with or without management present, to discuss the results of their audit and the quality of financial reporting of the Corporation.



Neil Hamilton
President &
Chief Executive Officer



Jim Lewis
Vice President,
Finance & Administration

June 22, 2006

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

auditors' report

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the balance sheet of the Manitoba Agricultural Services Corporation as at March 31, 2006, the statements of operations and funds retained for the Production Insurance program, the Lending program and the Hail Insurance program, the statement of cash flows and the statements of revenue and expenditure for the other agriculture related programs administered by the Corporation on behalf of the Government of the Province of Manitoba, being statements 1-5. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows, and the revenue and expenditure transactions of the programs administered by the Corporation on behalf of the Government of the Province of Manitoba, for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 22, 2006

BALANCE SHEET

as at March 31, 2006 (in thousands)

	PRODUCTION INSURANCE PROGRAM	LENDING PROGRAMS	HAIL INSURANCE PROGRAM	OTHER PROGRAMS *(NOTE 4)*	2006 TOTAL	2005 TOTAL
Assets						
Cash	$ –	–	–	–	$ –	$ 5,284
Investments *(Notes 3(B) & 5)*	114,600	–	27,115	4,015	145,730	251,788
Accounts receivable *(Note 6)*	11,210	193	614	1,436	13,453	40,973
Prepaid expenses	126	–	–	–	126	132
Interprogram receivable	218	–	–	96	314	12
Loans receivable *(Note 7)*	–	314,623	–	–	314,623	328,014
Real estate *(Note 9)*	–	1,161	–	–	1,161	1,351
Property and equipment *(Note 10)*	351	–	–	–	351	357
	$ 126,505	315,977	27,729	5,547	$ 475,758	$ 627,911
Liabilities and funds retained						
Bank indebtedness	$ 1,794	–	–	–	$ 1,794	$ 437
Reinsurance premiums payable *(Notes 16 & 17)*	1,061	–	38	–	1,099	2,849
Claims payable *(Note 11)*	14,176	–	–	5,156	19,332	19,265
Accounts payable and accrued liabilities *(Note 12)*	10,299	537	–	391	11,227	11,054
Provision for losses on guaranteed loans *(Note 20)*	–	11,130	–	–	11,130	11,130
Advances from the Province of Manitoba *(Note 14)*	–	342,820	–	–	342,820	364,477
Interprogram payable	–	253	61	–	314	12
Deferred revenue *(Note 15)*	351	–	–	–	351	357
Funds retained	98,824	(38,763)	27,630	–	87,691	218,330
	$ 126,505	315,977	27,729	5,547	$ 475,758	$ 627,911

Approved by the Board:

John Plohman
Chair

Frieda Krpan
Vice Chair

STATEMENT OF OPERATIONS AND FUNDS RETAINED

For the Year Ended March 31, 2006 (in thousands)

	2006	2005
REVENUE:		
Premiums		
Insured producers	$ 31,270	$ 30,932
Government of Canada *(Note 3(J))*	29,710	32,522
Province of Manitoba *(Note 3(J))*	19,800	21,681
	80,780	85,135
Less premiums ceded *(Note 16)*		
Reinsurance Fund of Canada	404	426
Reinsurance Fund of Manitoba	404	426
Private sector reinsurance	11,147	12,776
	11,955	13,628
Net premiums	68,825	71,507
Reinsurance recoveries *(Note 16)*	89,470	31,016
Interest	5,411	7,936
Total revenue	163,706	110,459
EXPENDITURE:		
Indemnities *(Note 18)*	297,377	197,731
Doubtful accounts	470	103
Administrative expenses - Schedule 1 *(Note 3(K))*	12,510	11,214
Administrative expenses recovered from		
Government of Canada	(7,495)	(6,724)
Province of Manitoba	(5,015)	(4,490)
Net expenditure	297,847	197,834
Income (loss) for the year	(134,141)	(87,375)
Funds retained, beginning of year	232,965	320,340
Funds retained, end of year	$ 98,824	$ 232,965

STATEMENT OF OPERATIONS AND FUNDS RETAINED

For the Year Ended March 31, 2006 (in thousands)

	2006	2005
REVENUE:		
Premiums, net of discounts	$ 10,175	$ 11,080
Less premiums ceded for reinsurance *(Note 17)*	922	1,006
Net premiums	9,253	10,074
Interest and surcharges	875	679
Total revenue	10,128	10,753
EXPENDITURE:		
Indemnities	5,166	4,798
Doubtful accounts (recoveries)	(9)	(26)
Administrative expenses - Schedule 1 *(Note 3(K))*	1,563	1,586
Total expenditure	6,720	6,358
Income for the year	3,408	4,395
Funds retained, beginning of year	24,222	19,827
Funds retained, end of year	$ 27,630	$ 24,222

STATEMENT OF OPERATIONS AND FUNDS RETAINED

For the Year Ended March 31, 2006 (in thousands)

	2006	2005
REVENUE:		
Interest		
Loan portfolio	$ 20,547	$ 21,367
Investments	853	520
Cost of financing	(20,261)	(20,650)
	1,139	1,237
Real Estate	286	150
Other	59	32
Province of Manitoba	5,431	6,517
Total revenue	6,915	7,936
EXPENDITURE:		
Administrative expenses - Schedule 1 *(Note 3(K))*	3,999	5,252
Impaired loan losses *(Notes 3(F) & 8)*	318	2,178
Loan guarantee losses *(Notes 3(G) & 20)*	916	1,190
Management Training Credit	88	41
Young Farmer Rebate	1,312	1,532
Community Works Loan Program interest expense	128	–
Manitoba Farm Mediation Board program assistance	29	93
Total expenditure	6,790	10,286
Income (loss) for year	125	(2,350)
Funds retained beginning of year	(38,888)	(36,538)
Funds retained end of year	$ (38,763)	$ (38,888)

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2006 (in thousands)

	PRODUCTION INSURANCE PROGRAM	LENDING PROGRAMS	HAIL INSURANCE PROGRAM	OTHER PROGRAMS	2006 TOTAL	2005 TOTAL
Cash provided by (used for)						
Operating activities						
Income (loss) for year						
Income (loss) before investment interest revenue	$ (139,552)	(728)	2,533	(119)	$(137,866)	$ (94,518)
Investment interest revenue	5,411	853	875	119	7,258	9,193
	(134,141)	125	3,408	–	(130,608)	(85,325)
Items not involving cash						
Change in provisions and allowances	(694)	(144)	11	2	(825)	2,654
Gain on disposal of real estate	–	(134)	–	–	(134)	(103)
Amortization of property and equipment	146	–	–	–	146	198
Loans disbursed	–	(83,547)	–	–	(83,547)	(33,008)
Loan principal received	–	113,607	–	–	113,607	44,329
Changes in:						
Accounts receivable	29,110	56	(6)	(1,193)	27,967	(26,678)
Prepaid expenses	(2)	8	–	–	6	13
Loans receivable	–	(16,600)	–	–	(16,600)	(8,994)
Interprogram receivable/payable	(208)	255	56	(103)	–	–
Reinsurance premiums payable	(1,665)	–	(85)	–	(1,750)	(1,681)
Claims payable	(4,280)	–	(3)	4,350	67	12,448
Accounts payable and accrued liabilities	1,799	(938)	–	(399)	462	(747)
Cash provided by (used for) operating activities	(109,935)	12,688	3,381	2,657	(91,209)	(96,894)
Investing activities						
Sale (purchase) of investments	126,839	2,427	(3,244)	–	126,022	83,974
Net proceeds on sale of real estate	–	342	–	–	342	285
Purchase of property and equipment	(139)	–	–	–	(139)	(32)
Cash provided by (used for) investing activities	126,700	2,769	(3,244)	–	126,225	84,227
Financing activities						
Refunds to participants	–	–	–	(31)	(31)	–
Advances repaid to the Province of Manitoba	–	(21,657)	–	–	(21,657)	(8,750)
Deferred revenue	(6)	–	–	–	(6)	(42)
Cash used for financing activities	(6)	(21,657)	–	(31)	(21,694)	(8,792)
Net increase (decrease) in cash and equivalents	16,759	(6,200)	137	2,626	13,322	(21,459)
Cash and equivalents, beginning of year	36,347	6,200	–	1,389	43,936	65,395
Cash and equivalents, end of year	$ 53,106	–	137	4,015	$ 57,258	$ 43,936
Cash and equivalents comprised of the following:						
Investments	$ 114,600	–	27,115	4,015	$145,730	$251,788
Investments with terms greater than 90 days	59,700	–	26,978	–	86,678	212,699
Investments with terms of 90 days or less	54,900	–	137	4,015	59,052	39,089
Cash (bank indebtedness)	(1,794)	–	–	–	(1,794)	4,847
	$ 53,106	–	137	4,015	$ 57,258	$ 43,936

OTHER PROGRAMS - STATEMENT 1

WILDLIFE DAMAGE COMPENSATION PROGRAM

(Note 4(A))

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 2006 (in thousands)

	2006	2005
REVENUE:		
Recovery of expenditures		
Government of Canada	$ 1,289	$ 1,354
Province of Manitoba	867	914
Total revenue	$ 2,156	$ 2,268
EXPENDITURE:		
Compensation payments	$ 1,804	$ 1,935
Administrative expenses	352	333
Total expenditure	$ 2,156	$ 2,268

OTHER PROGRAMS - STATEMENT 2

MANITOBA AGRICULTURE WEATHER SERVICE CONSORTIUM
EXPANDED MANITOBA SOIL SURVEY
ECOLOGICAL GOODS AND SERVICES PILOT PROJECT

(Note 4(B))

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 2006 (in thousands)

	2006	2005
REVENUE:		
Recovery of expenditures		
Manitoba Association of Agricultural Societies Inc.	$ 789	$ 7
Keystone Agricultural Producers	10	–
Total revenue	$ 799	$ 7
EXPENDITURE:		
Administrative expenses		
Manitoba Agriculture Weather Service Consortium	$ 185	$ 7
Expanded Manitoba Soil Survey	562	–
Ecological Goods and Services Pilot Project	52	–
Total expenditure	$ 799	$ 7

OTHER PROGRAMS - STATEMENT 3

BSE (BOVINE SPONGIFORM ENCEPHALOPATHY) RELATED PROGRAMS

(Note 4(C))

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 2006 (in thousands)

	2006	2005
REVENUE:		
Recovery of expenditures		
Government of Canada	$ 407	$ 24,229
Province of Manitoba	264	9,529
	671	33,758
Interest	6	56
Total revenue	$ 677	$ 33,814
EXPENDITURES:		
Program payments		
Canada-Manitoba Fed Cattle Set-Aside Program	$ 643	$ 416
Other BSE Related Programs	(17)	33,000
	626	33,416
Doubtful accounts	1	3
Administrative expenses	50	395
Total expenditure	$ 677	$ 33,814

OTHER PROGRAMS - STATEMENT 4

FARMLAND SCHOOL TAX REBATE PROGRAM

(Note 4(D))

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 2006 (in thousands)

	2006
REVENUE:	
Province of Manitoba	$ 20,906
Interest	113
Total revenue	$ 21,019
EXPENDITURE:	
Program payments	$ 20,614
Administrative expenses	405
Total expenditure	$ 21,019

OTHER PROGRAMS - STATEMENT 5

DISCONTINUED PROGRAMS

(Note 4(E))

STATEMENT OF REVENUE AND EXPENDITURE

For the Year Ended March 31, 2006 (in thousands)

	2006	2005
REVENUE:		
Recovery of expenditures		
Program payments recovered	$ –	$ 3
Doubtful accounts recoveries	3	5
	3	8
Interest	–	2
Total revenue	$ 3	$ 10
EXPENDITURE:		
Repayment of expenditures		
Government of Canada	$ 2	$ –
Province of Manitoba	1	3
Refund of excess interest to contributors	–	1
Total expenditure	3	4
Excess of revenue over expenditue	–	6
Excess of revenue over expenditure, beginning of year	31	25
Refunds to participants, during the year	(31)	–
Excess of revenue over expenditure, end of year	$ –	$ 31

NOTES TO FINANCIAL STATEMENTS

as at March 31, 2006 (tabular amounts in thousands of dollars)

1. Authority

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act*. The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act*. As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act*, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former Corporations was repealed.

2. Basis of Reporting

MASC's financial statements are presented in accordance with Canadian generally accepted accounting principles.

3. Significant Accounting Policies

(a) Programs

Under the provisions of the applicable legislation, MASC delivers insurance, lending and other programs and services. For financial accounting purposes, all programs are treated as separate operations and are accounted for separately.

(b) Investments

Investments are carried at cost, which approximates market value. Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act*.

(c) Property and Equipment and Amortization

Property and equipment are reported at cost less accumulated amortization. Property and equipment are amortized on a straight-line basis over their estimated useful life, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Software Development	8 years
Leasehold Improvements	Remaining term of lease

(d) Pensions

MASC employees are pensionable under *The Civil Service Superannuation Act*.

Effective April 1, 1998, the former Manitoba Crop Insurance Corporation (MCIC) became a fully funded matching employer. Upon the formation of the Manitoba Agricultural Services Corporation (MASC), the former MCIC employees' current pension obligations to the Civil Service Superannuation Board (CSSB) continued to be matched by MASC.

Prior to amalgamation, the Manitoba Agricultural Credit Corporation (MACC) did not match employees' current service contributions, and instead contributed 50% of the pension disbursements made to retired employees. Effective September 1, 2005, MASC was given the authority to match employees' current pension contributions on a go-forward basis for former MACC employees. The process to revise the applicable CSSB regulations was in process at March 31, 2006. MASC accrues an unfunded provision for the liability for the employer's share of the former MACC's employees prior to September 1, 2005, including future cost of living adjustments, based on an actuarial valuation. Details of the provision for the pension benefits are outlined in Note 13.

As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation other than the unfunded provision as described in the previous paragraph. MASC's matching contributions for 2005-06 totalled $541,527.

(E) VACATION AND SEVERANCE PAY

MASC employees are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and Corporate policy. The liabilities for vacation and severance pay are recorded based on MASC's best estimates.

(F) ALLOWANCES FOR IMPAIRED LOANS

The allowances for impaired loans are determined annually, through a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectibility of principal or interest, specific allowances are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts.

In addition to the allowances for impaired loans identified on an individual loan basis, MASC establishes a further allowance representing management's best estimate of additional probable losses in the entire loan portfolio.

Current year provisions for impaired loans are charged as an expenditure to impaired loan losses. Actual accounts written off by Board resolution are charged to the allowances for impaired loans.

(G) PROVISION FOR LOSSES ON LOAN GUARANTEES

The provisions for losses on loan guarantees are determined annually by a review of each guarantee program. The provisions represent management's best estimate of probable claims against the guarantees. Such provisions are intended to cover principal, accrued and unpaid interest, and any additional recoverable amounts.

Current year provisions for losses on loan guarantees are charged as an expenditure to guaranteed loan losses. Actual claims paid are charged to the provisions for guaranteed loan losses.

(H) REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS

Real estate that is acquired through foreclosure and voluntary transfers of titles in the settlement of loans, is recorded at the lower of the recorded value of the loan or the appraised value of the real estate at acquisition date. Real estate is reported net of a provision for a decline in real estate values.

(I) REAL ESTATE UNDER LONG-TERM LEASE

Real estate that was acquired for the purpose of long-term lease to producers through the land lease program is recorded at cost.

(J) PREMIUMS AND GOVERNMENT CONTRIBUTIONS

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba Production Insurance Agreement, which is Annex B to the Canada-Manitoba Implementation Agreement, provides for the cost sharing of the premiums under the Production Insurance Program. The premiums for coverage of 50% of an insured producer's probable yields are shared between the insured producer (30%), the Government of Canada (42%) and the Province of Manitoba (28%). Premiums for coverage above the 50% level are shared between the insured producers (45%), the Government of Canada (33%) and the Province of Manitoba (22%). For the previous fiscal year, premiums for coverage at the 50% level were shared between insured producers (17%), the Government of Canada (49.8%) and the Province of Manitoba (33.2%); and premiums for coverage above the 50% level were shared between insured producers (50%), the Government of Canada (30%) and the Province of Manitoba (20%).

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The federal-provincial agreement relating to the Production Insurance Program referred to in Section (J) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%).

The preparation of MASC's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

MASC's financial instruments consist of cash, accounts receivable, loans receivable, investments, accounts payable and advances from the Province of Manitoba.

Credit Risk:
MASC provides direct loans to clients in the normal course of operations. Credit reviews of individual clients are carried out on a continuing basis, thereby providing estimated provisions for contingent credit losses.

Interest Rate Risk:
Interest rate risk is the risk to MASC's earnings that arises from fluctuations in interest rates. During the year ended March 31, 2006, the Corporation did not utilize derivative financial instruments to reduce its exposure to interest rate risk.

Fair Value of Financial Instruments:
Financial instruments are valued at cost, with adjustments for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to cash, investments, other receivables, accounts payable, and accrued liabilities. Fair values of loans receivable and advances from the Province of Manitoba are disclosed in their respective notes.

Wildlife Damage Compensation Program
MASC administers the Wildlife Damage Compensation Program, which compensates producers for 80% of damage to agricultural crops and products caused by waterfowl or wildlife (big game animals), and the injury or death of domestic livestock caused by natural predators. Compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%).

Manitoba Agriculture Weather Service Consortium
Expanded Manitoba Soil Survey
Ecological Goods and Services Pilot Project

In March 2005, MASC became responsible for the administration of the Manitoba Agriculture Weather Service Consortium. The purpose of this initiative is to establish a network of weather stations which will provide the regional weather data that is required to forecast pest and plant disease outbreaks and forecast moisture conditions for crop production. A total of $185,000 in administrative expenses was incurred in 2005-06 (2004-05 – $7,000).

In April 2005, MASC became responsible for the administration of the Expanded Manitoba Soil Survey project. The purpose of this project is to provide detailed soil surveys in selected rural municipalities to facilitate sustainable agricultural development. A total of $562,000 in administrative expenses was incurred in 2005-06.

In December 2005, MASC became responsible for the administration of an Ecological Goods and Services Pilot Project in the RM of Blanshard. The goal of this pilot project is to test and evaluate an Alternate Land Use Services (ALUS) program concept in Manitoba. In 2005-06, MASC was responsible for the set-up phase of this project, with total administrative expenses of $52,000.

Funding for these projects was provided to MASC by the Manitoba Association of Agricultural Societies (MAAS).

BSE (BOVINE SPONGIFORM ENCEPHALOPATHY) RELATED PROGRAMS

Canada-Manitoba Fed Cattle Set-Aside Program

In October 2004, the Corporation was authorized to administer the Canada-Manitoba Fed Cattle Set-Aside Program. The purpose of the program was to increase the price of slaughter cattle by managing the supply of slaughter cattle in relation to slaughter capacity. The program paid out $643,000 in compensation in 2005-06, with the costs shared by the Government of Canada (60%) and the Province of Manitoba (40%).

Other BSE Related Programs

Minor recoveries and adjustments were made to the previous year's BSE related programs, totalling approximately $17,000.

Farmland School Tax Rebate Program

In April 2005, MASC became responsible for the administration of the Farmland School Tax Rebate program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate of 50% of the school tax paid on farmland in 2005. Recorded rebate payments of $20,614,000 include a provision of $4,754,000 for 2005 rebates, which have not yet been applied for. The program provides a three-year timeframe for claiming rebates. The Province of Manitoba pays for the full cost of the program.

Discontinued Programs

The prior year excess of revenue over expenditure of $31,000 represented the remaining producers' share of the Gross Revenue Insurance Plan surplus. Approval was received during the year to provide these funds to the Province of Manitoba for the purpose of funding agricultural scholarships.

5. Investments

MASC's investments as of March 31, 2006 consist of the following:

INVESTMENT MATURITY TERMS	AVERAGE INTEREST RATE	PRODUCTION INSURANCE PROGRAM	HAIL INSURANCE PROGRAM	OTHER PROGRAMS	2006 TOTAL	2005 TOTAL
1 year	3.479%	$ 89,600	17,115	4,015	$ 110,730	$ 141,788
2 years	3.222%	16,700	2,500	–	19,200	52,500
3 years	3.362%	8,300	2,500	–	10,500	52,500
4 years	3.992%	–	2,700	–	3,950	2,500
5 years	3.796%	–	2,300	–	1,050	2,500
	3.451%	$ 114,600	27,115	4,015	$ 145,730	$ 251,788

6. Accounts Receivable

MASC's accounts receivable as of March 31, 2006 consist of the following:

	PRODUCTION INSURANCE PROGRAM	LENDING PROGRAMS	HAIL INSURANCE PROGRAM	OTHER PROGRAMS	2006 TOTAL	2005 TOTAL
Insured producers	$ 582	–	302	(1)	$ 883	$ 1,513
Government of Canada	1,693	–	–	256	1,949	3,400
Province of Manitoba	7,243	–	–	1,166	8,409	7,796
Accrued investment interest	533	–	312	15	860	2,146
Reinsurance receivable	1,105	–	–	–	1,105	25,818
Other	54	193	–	–	247	300
	$ 11,210	193	614	1,436	$ 13,453	$ 40,973

7. Loans Receivable

MASC's loans receivable as of March 31, 2006 consist of the following:

		2006	2005
Amounts are due over the following terms:			
1 year	Accrued interest	$ 10,221	$ 11,380
	Arrears	33,141	7,228
	Prepayments	(10,648)	(11,951)
	Regular instalments	52,620	84,105
		85,334	90,762
2 years	Regular instalments	29,709	38,992
3 years	Regular instalments	26,841	25,183
4 years	Regular instalments	26,236	24,105
5 years	Regular instalments	23,118	23,077
Over 5 years	Regular instalments	153,643	156,224
		344,881	358,343
Less: Allowance for impaired loans (Note 8)		30,258	30,329
		$ 314,623	$ 328,014

The approximate fair value of loans receivable as of March 31, 2006 is $335,667,200 (2005 – $349,491,100). Fair value is based on expected future cash flows discounted by current interest rates for loans with similar terms and credit risk.

Terms of Loans Receivable

All loans have fixed rates, with an average yield breakdown as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
4.0% and lower	$ 62	$ 63,306	$ 63,368
4.01% to 5.0%	2,665	7,130	9,795
5.01% to 6.0%	35,955	1,898	37,853
6.01% to 7.0%	127,839	11,239	139,078
7.01% to 8.0%	86,346	1,175	87,521
More than 8.0%	7,129	137	7,266
	$ 259,996	$ 84,885	$ 344,881

*includes BSE recovery, producer recovery, flood proofing assistance and comprehensive refinancing program loans

Loan maturities are as follows:

	AVERAGE INTEREST RATE	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
Less than 5 years	4.658%	$ 38,654	$ 50,614	$ 89,268
5 to 10 years	5.921%	49,557	24,088	73,645
10 to 15 years	6.744%	68,376	7,340	75,716
15 to 20 years	6.901%	56,149	2,105	58,254
20 to 25 years	6.972%	44,992	738	45,730
More than 25 years	6.858%	2,268	–	2,268
		$ 259,996	$ 84,885	$ 344,881

*includes BSE recovery, producer recovery, flood proofing assistance and comprehensive refinancing program loans

8. Allowances for Impaired Loans

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
Beginning provision balance	$ 15,210	$ 15,118	$ 30,328
Loans written off	(273)	(115)	(388)
Provision (recovery)	689	(371)	318
Ending provision balance	$ 15,626	$ 14,632	$ 30,258

*includes BSE recovery, producer recovery, flood proofing assistance and comprehensive refinancing program loans

9. Real Estate

Based on a review of the current real estate portfolio, MASC has established a provision of $57,000 (2005 – $75,000) to provide for future declines in real estate values. This provision represents management's best estimate of probable losses on sale of real estate.

	2006	2005
Real Estate book value	$ 1,218	$ 1,426
Provision for decline in real estate value	(57)	(75)
	$ 1,161	$ 1,351

10. Property and Equipment

	2006		2005	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Furniture and equipment	$ 404	$ 191	$ 343	$ 158
Computer hardware	449	389	404	353
Computer software	125	86	92	74
Major software development	2,907	2,895	2,907	2,851
Leasehold improvements	298	271	298	251
	$ 4,183	$ 3,832	$ 4,044	$ 3,687
Net book value		$ 351		$ 357

11. Claims Payable

Claims payable for the Production Insurance Program of $14,176,000 (2005 – $18,457,000) provide for expected outstanding claim payments relating to the 2005-06 crop year. This amount includes an estimate of $9,270,000 (2005 – $8,000,000), which represents the liability for unpaid claims and the over-winter deterioration of unharvested crops.

Claims payable for Other Programs of $5,156,000 (2005 – $805,000) include a provision of $4,754,000 for outstanding Farmland School Tax Rebate payments and a provision of $381,400 (2005 – $222,800) for the Wildlife Damage Compensation Program.

12. Accounts Payable and Accrued Liabilities

Accounts payable at March 31, 2006 include the following:

	PRODUCTION INSURANCE PROGRAM	LENDING PROGRAMS	HAIL INSURANCE PROGRAM	OTHER PROGRAMS	2006 TOTAL	2005 TOTAL
Government of Canada	$ –	–	–	241	$ 241	$ 373
Province of Manitoba	1,311	165	–	59	1,535	547
Accrued vacation pay	859	–	–	–	859	538
Provision for pension obligations (Note 13)	5,976	–	–	–	5,976	6,210
Provision for severance obligations	1,333	–	–	–	1,333	1,163
Other	820	372	–	91	1,283	2,223
	$ 10,299	537	–	391	$ 11,227	$ 11,054

13. Provision for Employee Pension Benefits

MASC employees are eligible for defined benefit pensions under *The Civil Service Superannuation Act*. As outlined in Note 3(D), MASC contributes 50% of the pension disbursements made to retired employees of the former Manitoba Agricultural Credit Corporation (MACC) for service up to September 1, 2005. Additionally, the Corporation has a pension liability for employees whose annual earnings exceed the limit under the Fund plan.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. The most recent actuarial valuation was performed as of December 31, 2004. Based on the methodology provided in the actuarial report and accounting for future indexing, the liability for unfunded pension benefits is estimated to be $5,976,000 at March 31, 2006 (2005 – $6,210,000).

MASC paid $216,527 (2004-05 – $181,640) to fund existing pensioners in 2005-06. MASC also paid $26,129 (2004-05 – $33,147) to refund former MACC employees that resigned during the fiscal year.

14. Advances from the Province of Manitoba

In accordance with established Province of Manitoba practices, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is based on the net present value of the future cash flows of the loan being prepaid less the net present value of a loan with the same terms, except having an interest rate of a semi-annual, non-callable Province of Manitoba bond with the same term to maturity.

Advances are repayable in equal annual blended instalments of principal and interest, with interest rates ranging from 3.625% to 8.000%. The average interest rate of the entire portfolio at March 31, 2006 was 5.752% (2005 – 5.548%).

MATURITIES OF PRINCIPAL OVER THE FOLLOWING TERMS	2006	2005
1 year	$ 62,213	$ 99,519
2 years	38,229	36,681
3 years	36,272	32,289
4 years	33,425	30,025
5 years	29,711	26,825
More than 5 years	142,970	139,138
	$ 342,820	$ 364,477

The approximate fair value of advances from the Province of Manitoba at March 31, 2006 is $357,312,000 (2005 – $377,513,000). Fair values for the advances from the Province of Manitoba are based on the net present value of expected future cash flows, discounted by current interest rates for loans with similar terms and credit risk.

15. Deferred Revenue

Deferred revenue represents administrative subsidies provided by the Government of Canada and the Province of Manitoba and is used to acquire property and equipment. Deferred revenue is recognized as revenue when amortization is recorded on property and equipment.

16. Reinsurance – Production Insurance Program

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the program. When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is neither credited nor charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. Surpluses in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively.

	CROP REINSURANCE FUND OF CANADA FOR MANITOBA		CROP REINSURANCE FUND OF MANITOBA	
	2006	2005	2006	2005
Opening surplus (deficit)	$ 426	$ –	$ 22,446	$ 22,020
Current year premium contributions (net)*	404	426	404	426
Net book value	$ 830	$ 426	$ 22,850	$ 22,446

*Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.

MASC entered into a one-year private sector reinsurance agreement for the Production Insurance Program in addition to the financial protection provided by the federal-provincial reinsurance agreement noted above. Through the private sector reinsurance agreement, 28 reinsuring companies assume 90% of losses (including deemed loss adjustment expenses) from 15% to 25% of Production Insurance liability (coverage). Reinsurance premiums were $11,147,000 (2005 – $12,776,000). Private sector reinsurance recoveries totalled $89,470,000 (2005 – $31,016,000), which included $2,199,000 for the prior year.

12. Reinsurance – Hail Insurance Program

MASC entered into a one-year private sector reinsurance agreement for the Hail Insurance Program. Through the agreement, 16 reinsuring companies assume hail insurance losses (including loss adjustment expenses) from 125% to 200% of gross premium. Reinsurance premiums were $922,000 (2005 – $1,006,000). There were no reinsurance recoveries in 2006 (2005 – $nil).

13. Indemnities

Production Insurance indemnities of $297,377,000 (2005 – $197,731,000) represent $295,201,000 for the 2005-06 crop year and $2,176,000 as a result of a shortfall in the estimate of claims payable set up as of March 31, 2005.

14. Lease Agreements

MASC has entered into a number of long-term lease agreements. The minimum payments under these leases are as follows:

YEAR ENDING MARCH 31	LEASE AGREEMENT AMOUNTS
2007	$ 440,829
2008	231,136
2009	77,275
2010	18,559
2011 and beyond	–
	$ 767,799

20. Contingencies

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2006 are shown below.

	CONTINGENT LIABILITY		PROVISION FOR LOSSES	
	2006	2005	2006	2005
Operating Credit Guarantees	$ 7,296	$ 5,468	$ 1,195	$ 647
Manitoba Livestock Associations Loan Guarantees	4,377	4,798	1,094	1,199
Diversification Loan Guarantees	10,440	14,678	1,566	2,978
Enhanced Diversification Loan Guarantees	48,502	42,037	7,275	6,306
	$ 70,615	$ 66,981	$ 11,130	$ 11,130

The Operating Credit Guarantee Program (OCG) was introduced on April 1, 2003, replacing the Guaranteed Operating Loan Program. The OCG provides the participating lending institution a guarantee of 25% of each individual loan made under this program. The maximum allowable individual loan is $450,000, with $700,000 available for partnerships, corporations and co-operatives.

The Manitoba Livestock Associations Loan Guarantee Program was introduced in 1991. For each association, MASC provides a guarantee to the lending institutions based on 25% of the amount of the loan to a maximum guarantee of $1,250,000.

The Diversification Loan Guarantee Program was introduced in December 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25% of the private lender's loan portfolio was guaranteed. The maximum allowable individual loan was $3.0 million.

In 2001, the Enhanced Diversification Loan Guarantee Program replaced the Diversification Loan Guarantee Program. Guarantees are now based on 25% of the original principal amount of each individual loan, with no maximum loan amount.

(B) MASC provides security bonds for certain agricultural agencies in the amount of $53,781 (2005 – $134,215). No contingency provision is made for these undertakings in the financial statements. Any payments arising from claims under these guarantees will be recorded as an expense in the period that such claims occur.

(C) As at March 31, 2006, MASC had approved but not disbursed loans in the amount of $21,204,999 (2005 – $7,477,750).

(D) Various legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

21. Actuarial Review

An actuarial certification of the Production Insurance Program was completed by Tillinghast - Towers Perrin, consulting actuaries, in June 2003. The actuarial review of MASC concludes that the methodologies used to establish the probable yields for insured crops meet the requirements of the federal Crop Insurance Regulation; that the premium rate methodologies are actuarially sound and are sufficient to meet expected claim costs; and that the program meets the financial self-sustaining criteria defined by the federal government.

A full actuarial certification has to be completed every five years with any new programs or program changes requiring approval in the interim.

22. Related - Party Transactions

MASC is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown Corporations. MASC enters into transactions with these entities in the normal course of business.

Interest earned on investments held by the Province of Manitoba amounted to $7,386,000 (2005 – $9,056,000). Included in accounts receivable (Note 6) is $860,000 (2005 – $2,146,000) of accrued interest related to these investments.

23. Comparative Figures

The amalgamation of the Manitoba Agricultural Credit Corporation and the Manitoba Crop Insurance Corporation resulted in the consolidation of financial reporting as if the Corporations were one entity as of April 1, 2005. The 2005 comparative figures in the financial statements were consolidated for the two previous entities and have been reclassified to conform to the current year's presentation.

24. Subsequent Events

A regulation specifying that effective September 1, 2005, MASC is a fully funded matching employer under *The Civil Service Superannuation Act* for all employees, was registered on June 12, 2006.

SCHEDULE 1
SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Year Ended March 31, 2006 (in thousands)

	2006	2005
Adjusters' wages, benefits and expenses	$ 4,757	$ 4,360
Advertising	182	157
Amortization expense	146	198
Appeal Tribunal	21	12
Audit fees and legal	238	281
Directors' remuneration and expenses	149	91
Furniture and equipment	80	47
Information technology	775	734
Office rental and utilities	918	891
Other administrative expenses	422	319
Other administrative recoveries	(436)	(349)
Postage	158	127
Printing, stationery and office supplies	204	182
Salaries and employee benefits	9,703	10,251
Telephone	206	201
Travel and automobile expenses	549	550
Total administrative expenses	$ 18,072	$ 18,052
Administrative expenses allocated to		
Production Insurance Program	$ 12,510	$ 11,214
Lending Programs	3,999	5,252
Hail Insurance Program	1,563	1,586
Total administrative expenses	$ 18,072	$ 18,052

office locations

LENDING

BRANDON (CORPORATE OFFICE)
Unit 100 - 1525 First St S
Brandon MB R7A 7A1

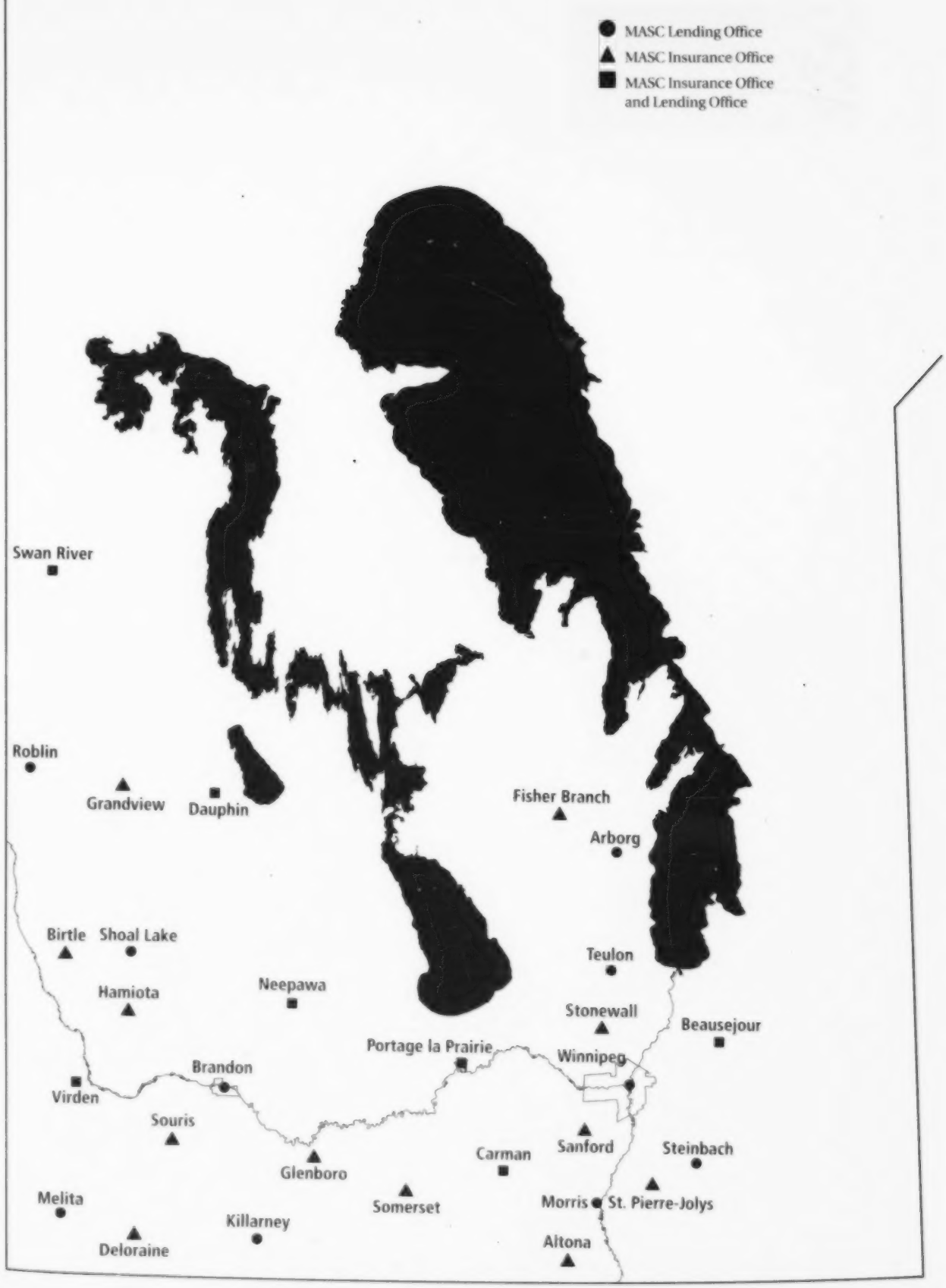
ARBORG
Box 2000 317 River Rd
Arborg MB ROC OAO
BEAUSEJOUR
Box 50 20-1st St S
Beausejour MB ROE OCO
BRANDON
Unit 100-1525 First Street S
Brandon MB R7A 7A1
CARMAN
Box 758 65-3rd Ave NE
Carman MB ROG OJO
DAUPHIN
27-2nd Ave SW
Dauphin MB R7N 3E5
KILLARNEY
Box 190 411 Broadway Ave
Killarney MB ROK 1GO
MELITA
Box 609 139 Main St
Melita MB R0M 1L0
MORRIS
Box 100 229 Main St S
Morris MB ROG 1KO
NEEPAWA
Box 550 41 Main St E
Neepawa MB ROJ 1HO
PORTAGE LA PRAIRIE
2nd Floor 25 Tupper St N
Portage la Prairie MB R1N 3K1
ROBLIN
Box 820 117-2nd Ave NW
Roblin MB ROL 1PO
SHOAL LAKE
Box 130
Burlington Building 4th Ave
Shoal Lake MB ROJ 1ZO
STEINBACH
Box 760 284 Reimer Ave
Steinbach MB R5G 1M6
SWAN RIVER
Box 1138 120-6th Avenue N
Swan River MB ROL 1ZO
TEULON
Box 70 77 Main St
Teulon MB ROC 3BO
VIRDEN
Box 580 247 Wellington St W
Virden MB ROM 2CO
WINNIPEG
816-401 York Ave
Winnipeg MB R3C 0P8

SATELLITE OFFICES:
ASHERN
Box 260 43 Railway Ave
Ashern MB ROC OEO
LUNDAR
Box 40 9 Main St
Lundar MB ROC 1YO
ST PIERRE-JOLYS
Box 249 466 Sabourin St S
St Pierre-Jolys MB ROA 1VO
STONEWALL
293 Main St
Stonewall MB ROC 2ZO

INSURANCE

PORTAGE LA PRAIRIE
(CORPORATE OFFICE)
400-50 24th St NW
Portage la Prairie MB R1N 3V9

ALTONA
Box 1209 67-2nd St NE
Altona MB ROG OBO
BEAUSEJOUR
Box 50 20-1st St S
Beausejour MB ROE OCO
BIRTLE
Box 39 726 Main St
Birtle MB ROM OCO
CARMAN
Box 490 65-3rd Ave NE
Carman MB ROG OJO
DAUPHIN
27-2nd Ave SW
Dauphin MB R7N 3E5
DELORAINE
Box 529 101 Finlay Ave E
Deloraine MB ROM OMO
FISHER BRANCH
Box 359 Main St & Carpathian Ave
Fisher Branch MB ROC OZO
GLENBORO
Box 250 103 Broadway St
Glenboro MB ROK OXO
GRANDVIEW
Box 236 221 Roland Ave
Grandview MB ROL OYO
HAMIOTA
Box 50 221 Elm St
Hamiota MB ROM OTO
NEEPAWA
Box 1179 41 Main St E
Neepawa MB ROJ 1HO
PORTAGE LA PRAIRIE
200-50 24th St NW
Portage la Prairie MB R1N 3V7
SANFORD
Box 7 8 Main St N
Sanford MB ROG 2JO
SOMERSET
Box 190 279 Carlton St
Somerset MB ROG 2LO
SOURIS
Box 610 95-1st St N
Souris MB ROK 2CO
ST PIERRE-JOLYS
Box 249 466 Sabourin St S
St Pierre-Jolys MB ROA 1VO
STONEWALL
Box 277 383 Main St
Stonewall MB ROC 2ZO
SWAN RIVER
Box 1108 120-6th Ave N
Swan River MB ROL 1ZO
VIRDEN
Box 1570 247 Wellington St W
Virden MB ROM 2CO


MASC Lending Office
MASC Insurance Office
MASC Insurance Office and Lending Office
Swan River
Roblin
Grandview
Dauphin
Fisher Branch
Arborg
Birtle
Shoal Lake
Hamiota
Neepawa
Teulon
Stonewall
Beausejour
Portage la Prairie
Winnipeg
Brandon
Virden
Souris
Sanford
Steinbach
Carman
Glenboro
Melita
Somerset
Morris
St. Pierre-Jolys
Killarney
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